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SENSITIVE

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SUBJECT: Climate Change - Italy Supportive on MEF and Emerging Economies Outreach; Comments on U.S.-EU Comparability, Binding Commitments, Carbon Markets

REFS: a) 10/1/09 Preston-Fendley e-mail b) 9/29/09 Preston - Parker-Burns and DeRosa-Joynt - Preston e-mails c) 9/25/09 Preston-Moore e-mail d) State 97542

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11. (SBU) Summary: Italian officials involved in international climate negotiations feel the September Major Economies Forum (MEF) meeting went well, and recommend close U.S.-EU coordination before the October 18-19 MEF meeting. They confirmed that Italian Environment Minister Prestigiacomo had pressed China to take on internationally-binding commitments during her recent trip there. The Foreign Ministry (MFA) official called for a common U.S.-EU platform vis-a-vis China, and asked for a sample text for what the USG needs from China in terms of binding commitments in a global climate agreement. On the U.S.-EU front, she said Italy will be pushing for carbon-market linkage. She explained that the crux of the U.S.-EU-comparability issue for Italy is finding a way to move forward that does not trigger the EU's conditional pledge to reduce greenhouse-gas emissions by 30 percent, instead of the current 20 percent, by 2020. End summary.

12. (U) SCICouns delivered ref d) points on 24 September to Environment Ministry Diplomatic Advisor Antonio Bernardini, and on 29 September to Ministry of Foreign Affairs (MFA) Energy, Environment and Sustainable Development Director Giovanna Piccarreta. SCICouns also discussed some of ref d) points with energy expert Dario Garofalo of Prime Minister Berlusconi's office, who participates in the Major Economies Forum on Energy and Climate (MEF) negotiations. SCICouns left with Piccarreta the "Global Temperature Change" and "U.S. and EU Emissions Relative to 2005 Baseline" graphs from ref c attachment.

MEF and Outreach to Emerging Economies

13. (SBU) Garofalo said that the positive results of the September 17-18 MEF meeting, along with Chinese President Hu Jintao's speech in New York, mean "we now are in position to really start shaping the key elements of the Copenhagen agreement." He supported bilateral engagement with key emerging economies on topics most of interest to each (Brazil - forests; China - technology; India - finance and technology) in addition to addressing them together in

the MEF. He stressed that Italy's priority "will be continuing to push them [the leading emerging economies] even if a clear move from the U.S. will be the indispensable starting point for success." Bernardini said he was pleased with the MEF work on technology cooperation, for which he could see a "real role post-Copenhagen."

¶4. (SBU) Garofalo and Piccarreta both stressed the need to prepare carefully for the October 18-19 MEF meeting in London. Piccarreta urged consultations, perhaps in the context of the U.S.-EU Energy Council discussions, so that the U.S. and EU have a common position going into the MEF meeting. Piccarreta and Bernardini mentioned that, as Post had requested, during her September 13-16 visit to Beijing Italian Environment Minister Stefania Prestigiacomo pressed her hosts for China to agree to internationally-binding measures to combat climate change. Piccarreta said that "It is not in the EU interest to go to China with a different position from the U.S. We really need a common platform." She noted that there will be an EU-China summit in Nanjing in late October/early November. She also mentioned that during Prestigiacomo's China trip, the GOI signed an MOU with China for "cooperation on climate change negotiations," in addition to two cooperation agreements on renewable energy, energy efficiency, and carbon capture and storage.

Comparability of U.S. and EU GHG Reduction Measures

¶5. (SBU) After listening carefully to ref d points, and studying the two graphs, Piccarreta said that EU experts would likely disagree with them on some aspects. She explained that the real problem on comparability is that the EU has promised internationally to move from 20 percent to 30 percent greenhouse-gas (GHG) reduction from 1990 levels by 2020 if other major countries agree to "comparable" measures. If the EU agrees that the U.S. measures are comparable, then countries like India may try to hold them to their 30 percent

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pledge, she said. (Comment: Italy is facing reported costs of 550 million euros/year in 2009, rising to 840 million euros/year in 2012, for its failure to meet its targets under the EU's Emissions Trading Scheme. The GOI continues to seek flexibility from Brussels to ease the burden on Italian businesses, and very likely would fight an effort to move the EU to the 30 percent target for 2020.)

UNFCCC-Related Questions

¶6. (SBU) Regarding the UN Framework Convention on Climate Change (UNFCCC) negotiations, Piccarreta asked for examples of the kind of text that the U.S. needs to see regarding major emerging economies' international commitments to take national actions. She said it was important for EU negotiators to have this soon. She also recommended that U.S. and EU negotiators discuss what kind of compliance mechanism the U.S. envisions - one similar to Kyoto, or stricter?

Carbon Markets - Topic at November G8 Energy Meeting

¶7. (SBU) Piccarreta said that Italy is planning on hosting a meeting in Rome in November to follow up on the G8 Energy Ministerial. Among the topics to be discussed, she said, will be an Italian-World Bank study containing proposals for linking carbon markets. She stressed that Italy wants an international system in which there is communication between carbon markets, where companies can invest in all of them without greatly different standards and rules. It will be important for Italy to be able to continue to use certificates of emissions reduction issued by the Clean Development Mechanism board, she noted. She mentioned that the Italian expert working on the carbon markets study had briefed OES' Mars Hanna on it earlier this year.

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